Congressman Joseph Crowley
Testimony – Committee on Financial Services
Treasury Package
September 24, 2008

- Thank you Chairman Frank and Ranking Member Bachus for allowing me to testify before the Financial Services Committee on a vital issue to our nation's economic security.

- My perspective today in not one based on Wall Street in Manhattan, but 65th Street in Woodside, Queens

- I served on this Committee for 6 six years, and I learned a tremendous amount about our nation's financial services sector. But, I do not begin to claim that I know exactly how to fix the problems in our financial markets. What I do know, however, is that the problems on Wall Street stand to affect every American.

- As a New Yorker, that is where the problems will, and are, hitting first.

- The cause and effect of what happens on Wall Street and what happens to the services provided by the City and State are directly related. That's because almost 1/3 of New York City's and 20 percent of New York State's tax base comes from Wall Street.

- So, just as jobs are being cut on The Street, State and City-supported senior centers, health services and public safety programs are being cut as well. Just today Mayor Bloomberg announced cuts of $1.5 billion to the City's budget.

- But, my colleagues, the reverberations of the downturn in our financial markets are not limited to New York. So, what's at stake for hard-working Americans?

- **First, their Pension Plans**

- Whether we like it or not, our nation is moving away from the traditional Defined Benefit pension plan - where an employer guarantees an employee a fixed income for life - towards a new hybrid of Defined Contribution system - highlighted by the 401k plan - which is rooted in the activity of the stock market and investments

- That means the retirement savings of millions of workers are held in the balance every day by Wall Street. So when the market goes up, retirement plans make money, but if it goes down, we all lose a part of our nest egg.

- **Second, credit is becoming harder and harder to obtain**.

- We are already seeing such a credit crunch that even credit-worthy Americans are not being able to obtain a mortgage to purchase a home, or the ability to refinance out of an Adjustable Rate Mortgage or a Subprime loan

- But, this is just the beginning. What's potentially next?

- **Student loans** – we are seeing a massive tightening in the Student Loan industry. At the moment, student loan lenders have a direct call on the Treasury to keep these important loans available for parents and students, but as tough times get tougher it could mean that going to college and pursing a higher education will be even more difficult for families on a budget because student loans will not be available.

- And **auto loans** – it is feared the next market to tighten up will be the auto loan market. And if Americans cannot afford to buy a car, what will happen to Chrysler, Ford, General Motors and their thousands of UAW employees?

- Finally, **salaries and jobs are at risk.** Employers, if they cannot obtain credit to grow and expand their business, or even to meet payroll – we are looking at massive lay-offs.

- So yes, Wall Street and Main Street are linked

- Do I know if the Bush Treasury Package is the right answer? I don't, and neither does anybody else.

- But I don't have a fear of doing something. I do, however, have a fear of doing nothing.

- Our markets are based on confidence, and I firmly believe steps must be taken to provide confidence to our markets, and I think that must include an injection of liquidity – or simply put - cash to grease our economy.

  - So, where do we go from here? Well, I do not believe we should accept the Treasury's package as it was drafted by the White House, but I do believe support is needed for our financial services sector so it can, in turn, go back to allowing Americans to safely invest their savings.

  - What Congress and the President must remember throughout this process is that the $700 billion we are talking about today is the taxpayer's money.

  - The White House and Republican Leader Boehner have argued for straight passage of the President's Treasury plan, but that's not going to happen.

  - Democrats are building in a number of protections for the taxpayers.

  - We are demanding both civil and criminal accountability of Wall Street executives.

  - We will require oversight of the Treasury Department.

    - And we will ensure that there’s a financial return to the taxpayers so this does not add to the $5 TRILLION in new debt, which was added by the Bush Administration and the former Republican majority in Congress, many of whom, ironically, still argue for more deregulation.

- Chairman Frank, his staff and the members of this committee have spent this past week inserting into the package much needed limits on **executive compensation**.

- Because, we cannot provide support to our nation’s financial institutions without appropriate – and tough – measures to ensure that corporate executives are not enriching themselves at taxpayer expense. And this bill will require that those seek help from the Treasury limit their pay and benefits.

- Executives - like all employees – should be rewarded for success, not failure

- Chairman Frank has also demanded swift action by the Federal regulators and the FBI to investigate if fraud was perpetuated against the taxpayers during this crisis.

- The government should be giving out metal bracelets not golden parachutes

- These actions are a solid start to ending the era of Cowboy Capitalism

- Chairman Frank and his Committee have included in this package important **oversight protections** to ensure the Treasury Department adequately and appropriately executes this program as well as new oversight over our markets.

- This new oversight is necessary

- As it was in 1933 when President Franklin Roosevelt and the Democrats inherited a economic crisis left after a decade of deregulation and economic mismanagement, this Congress can and will address this issue and put our nation back on track

- Finally, this Committee and our Democratic Leadership is pushing for language to ensure the taxpayers are repaid their investment in these Wall Street firms, whether it be through warrants – which are the option to buy shares of stock in these companies – or tougher collateral standards so taxpayers are not burdened with only bad loans.

- Not one of these safeguards for taxpayers would have been included without the input of Chairman Frank, Speaker Pelosi and the Democrats. And I applaud their tireless efforts.

- My colleagues, no one is happy to be in this predicament, but we are here and we need to address it before it becomes a cancer on our entire economy.

- So I understand pollsters are asking our constituents if they think it is the right thing to do for the government to potentially invest billions to try and keep financial institutions and markets secure.

- The answer is – do we have a choice?

- The consequences of inaction are far, far worse.

- I thank the Committee for allowing me to testify and will remain for any questions

- Thank you